



HONG KONG MONETARY AUTHORITY

香港金融管理局

Our Ref: B1/15C
B9/75C
S4/2C
S4/3C

23 June 2017

The Chief Executive
All Locally Incorporated Authorized Institutions

Dear Sir/Madam,

Market Risk Capital Requirements: Local Implementation Timeline

We wrote to you on 19 January 2016 about the new standards on *Minimum Capital Requirements for Market Risk* issued by the Basel Committee on Banking Supervision (BCBS) on 14 January 2016.¹

The new standards are scheduled to be implemented by national supervisors by 1 January 2019. According to the original timeline, banks would be required to start regulatory reporting based on the revised standardised approach and/or internal models approach from 31 December 2019.

However, in the past months a number of practical implementation questions have arisen given the high complexity of the new standards. These questions involve certain issues of fundamental relevance, hence a need for potential amendments of the standards rather than merely technical clarifications. Thus, it is becoming increasingly challenging for jurisdictions to implement the new standards in accordance with the BCBS timeline.

In light of this, it has been decided that implementation of the new standards in Hong Kong shall be no earlier than 1 January 2020.

The HKMA plans to issue consultation papers on the new standards, one on the standardised approach later in 2017 and another one focusing on the

¹ <http://www.bis.org/bcbs/publ/d352.pdf>

internal models approach in spring 2018, and we will keep the industry updated on further developments related to the local implementation timeline.

If you should have any questions regarding the above, please feel free to contact Mr Horace Lee at 2878 1540 or hhwlee@hkma.gov.hk.

Yours faithfully,

Daryl Ho
Executive Director (Banking Policy)

cc: The Chairperson, The Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn: Ms Eureka Cheung)